

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
OMB-01 AF-08 ARA-06 NEA-10 /131 W
-----312218Z 108841 /46

P R 311529Z MAR 77
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC PRIORITY 3422
INFO ALL EC CAPITALS
USMISSION OECD PARIS
AMEMBASSY BERN
AMEMBASSY OTTAWA
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
USMISSION GENEVA

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E.O.11652: N/A
TAGS: EGEN ENRG EEC
SUBJECT: EC CIEC PREPARATIONS - RESULTS OF MARCH 29 HIGH LEVEL
GROUP MEETING

REF: (A) EC BRUSSELS 2744 (B) EC BRUSSELS 2543

1. SUMMARY: EC OFFICIALS TELL US THAT THE EC HIGH LEVEL
CIEC GROUP REFINED THE PROPOSED EC FINAL CIEC PACKAGE. THE
GROUP DISCUSSED TACTICS, A SPECIAL ACTION FOR THE POOREST
LDCS, FURTHER COMMODITY PROPOSALS, A POSSIBLE GLOBAL STABEX
AND A NEW UK PROPOSAL REGARDING A PRICE FORMULA FOR COMMODITY
AGREEMENTS. THE EC PLANS TO CONSULT WITH KEY G-8 MEMBERS ON
THESE PROPOSALS. THE FOREIGN MINISTERS COUNCIL WILL TAKE
THEM UP ON APRIL 5 AT WHICH TIME EC OFFICIALS HOPE AGREEMENT
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WILL BE REACHED ON THE OUTLINES OF A FINAL PACKAGE. END SUMMARY.

2. TACTICS: EC COMMISSION OFFICIAL CASPARI, AND EC
PERMDELS AND COUNCIL SECRETARIAT OFFICIALS INFORMED US
OF THE RESULTS OF THE EC HIGH LEVEL CIEC GROUP MEETING
ON MARCH 29 IN BRUSSELS. THE GROUP DEVELOPED THE OUT-LINES
OF A FINAL CIEC PACKAGE WHICH THE APRIL 5 FOREIGN MINISTERS

COUNCIL WILL TAKE UP. IT ALSO DISCUSSED TACTICS. THE GROUP IS RECOMMENDING THAT THE COUNCIL DECIDE ON A SPECIFIC PACKAGE WHICH THE EC COULD DISCUSS AT THE APRIL 6 G-8 MEETING. AFTER REACHING G-8 AGREEMENT ON THE OUTLINES OF A FINAL PACKAGE, THE EC PLANS TO CONTACT INFORMALLY KEY G-19 MEMBERS TO INFORM THEM OF THE G-8 POSITION. THE UK, AS COUNCIL PRESIDENT, WOULD TAKE THE LEAD IN THESE CONTACTS, BUT OTHER MEMBER STATES AND THE COMMISSION MIGHT ALSO PARTICIPATE.

3. COMMISSION OFFICIALS SUGGESTED THAT THE G-8 SHOULD PRESENT ITS FINAL PACKAGE ON A "TAKE-IT-OR-LEAVE-IT-BASIS", MAKING IT CLEAR THAT THE G-8 WILL NOT GO ALONG WITH REQUESTS FOR ADDITIONAL CONCESSIONS OR A SECOND MINISTERIAL MEETING. THE GROUP, HOWEVER, REACHED NO AGREEMENT ON HOW TO PRESENT INFORMALLY, THE PACKAGE TO THE G-19. IT DID DECIDE, HOWEVER, TO DRAW UP A LIST OF ACTIONS WHICH HAVE BEEN TAKEN SINCE THE START OF CIEC, I.E., THE MTN "TROPICAL PRODUCTS" OFFER, IFAD, IDA REPLENISHMENT, AND IMF QUOTA INCREASES. THIS LIST WILL BE USED TO REINFORCE THE VIEW THAT DCS ARE RESPONSIVE TO LDC NEEDS AND CIEC HAS ALREADY MADE SUBSTANTIAL PROGRESS.

4. SPECIAL ACTION: EXCEPT FOR THE DUTCH, THERE WAS GENERAL SUPPORT FOR THE UK "IMMEDIATE ACTION" PROPOSAL (WHICH THE GROUP HAS DECIDED TO CALL "SPECIAL ACTION"). MOST OF THE NINE SUPPORTED AN OVERALL \$1 BILLION ACTION. THE IDA KEY WOULD BE USED TO DETERMINE THE NINE'S SHARE OF THIS AMOUNT, BUT ADJUSTMENTS MIGHT BE MADE WITHIN THIS SHARE TO TAKE CARE OF PARTICULAR MEMBER STATE DIFFICULTIES. THE NINE AGREED THAT THERE SHOULD BE NO OVERT RELATIONSHIP BETWEEN THIS ACTION AND LDC INDEBTEDNESS AND THE LIMITED OFFICIAL USE

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FINANCIAL BURDEN SHOULD BE SHARED BY ALL POSSIBLE DONORS. THE FRG AND FRANCE CONTINUE TO MAINTAIN RESERVATIONS. FRANCE WANTS TO LINK SPECIAL ACTION WITH PROGRESS IN RAW MATERIALS AND IN ACHIEVING THE 0.7 PERCENT ODA TARGET. COUNCIL SOURCES SAID THAT CHANCELLOR SCHMIDT AT THE EUROPEAN COUNCIL DID NOT WANT TO AGREE TO ANY SPECIFIC FIGURE AT THIS TIME; HE REPORTEDLY MAINTAINED THAT THE AMOUNT WAS A MATTER FOR THE FINAL CIEC NEGOTIATIONS. THE DUTCH SUPPORTED THE COMMISSION PROPOSAL OF A TOTAL AMOUNT OF ABOUT \$2 BILLION, POINTING OUT THAT THE UK PROPOSAL DID NOT REPRESENT A CREDIBLE OFFER.

5. COMMON FUND: THE GROUP GENERALLY AGREED THAT SOMETHING FURTHER NEEDED TO BE DONE BETWEEN CONCLUSION OF CURRENT GENEVA CF NEGOTIATIONS AND BEGINNING OF ANOTHER CF SESSION. THE GROUP WAS PREPARED TO CONSIDER THE US-PROPOSED "OVERDRAFT MECHANISM" WHICH MIGHT BE PART OF THE FINAL PACKAGE. SEVERAL REPRESENTATIVES, ESPECIALLY THE FRG, ARGUED AGAINST THIS POINTING OUT THAT AN "OVERDRAFT" FELL SHORT OF LDC DEMANDS AND CONSEQUENTLY WOULD NOT MEET WITH G-19 APPROVAL. THE UK, WE ARE TOLD, HOPES TO RECEIVE

A MANDATE FROM THE COUNCIL TO DISCUSS THE MODALITIES OF AN
"OVERDRAFT" WITH THE US. THIS WOULD ENABLE THE UK TO PREPARE A
MORE PRECISE PROPOSAL, PERHAPS FOR THE CONSIDERATION OF THE MAY 3
FOREIGN MINISTERS COUNCIL.

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6. PURCHASING POWER: SEVERAL MEMBER STATES PRESSED THE FRG
AND UK TO ACCEPT THE PRICE ADAPTIVE FORMULA CONTAINED IN THE
NAIROBI COMMODITY RESOLUTION. BOTH REFUSED, BUT THE UK SUGGESTED
THE FOLLOWING COMPROMISE: QUOTE: IN COMMODITY AGREEMENTS OR
ARRANGEMENTS WITH PRICING PROVISIONS ELABORATED WITHIN THE
FRAMEWORK OF THE UNCTAD INTEGRATED PROGRAMME, THESE PRICES OR
PRICE RANGES WOULD BE PERIODICALLY REVIEWED AND APPROPRIATELY
REVISED, TO ENSURE THAT THE COMMODITY ARRANGEMENTS IN QUESTION
CONTRIBUTE EFFECTIVELY AND ECONOMICALLY TO THE STABILISATION OF
PRICES AROUND THE LONG TERM TREND AND TO PROMOTE EQUILIBRIUM
BETWEEN SUPPLY AND DEMAND. TO THIS END, ACCOUNT SHOULD BE TAKEN
OF CHANGES IN THE RELEVANT ECONOMIC FACTORS, INCLUDING THE LEVELS
OF OUTPUT, CONSUMPTION AND STOCKS, PRODUCTION COSTS, AND THE
EFFECT ON THEM OF TRENDS IN WORLD INFLATION AND DEFLATION,
AND THE NEED TO ENSURE ADEQUATE LEVELS OF INVESTMENT. UNQUOTE.
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THE FRG SUPPORTED THIS PROPOSAL, BUT MOST OF THE OTHER MEMBER STATES DID NOT THINK IT WENT FAR ENOUGH IN MEETING LDC DEMANDS.

7. STABEX: THE GROUP DISCUSSED THE FRG PROPOSAL AT THE EUROPEAN COUNCIL TO ESTABLISH A SYSTEM TO STABILIZE LDC EXPORT EARNINGS. MISSION IS SENDING IN SUMMARY OF THIS PROPOSAL BY SEPTEL. FRANCE FAVORS A PRODUCT-BY-PRODUCT STABEX WHICH WOULD BE PART OF THE OVERALL CIEC COMMODITIES PACKAGE. THE SYSTEM SHOULD DIFFERENTIATE BETWEEN LDCS ACCORDING TO THEIR RELATIVE DEVELOPMENT AND SHOULD COMPLEMENT COMMODITY AGREEMENTS. THE DUTCH SAID THIS PROPOSAL SHOULD NOT DETER FURTHER IMPROVEMENT IN THE IMF COMPENSATORY FINANCING FACILITY. THEY SUGGESTED THAT STABEX BE LIMITED TO LDCS WHICH HAVE A PER CAPITA INCOME OF LESS THAN \$300. COMMISSION OFFICIALS EXPECT THE COMMISSION TO PROPOSE ITS OWN GLOBAL STABEX FOR THE CONSIDERATION OF THE APRIL 5 COUNCIL. EC OFFICIALS, HOWEVER, DO NOT EXPECT ANY COUNCIL DECISION ON STABEX AT THAT TIME. COMMISSION OFFICIALS HOPE TO OBTAIN COUNCIL AGREEMENT TO CONSIDER FAVORABLY STABEX, BUT PERMDEL OFFICIALS EXPECT THE MEMBER STATES ONLY TO AGREE TO STUDY FURTHER THE IDEA. NEVERTHELESS, EC OFFICIALS BELIEVE THAT STABEX IS EMERGING AS ONE OF THE MAJOR ELEMENTS IN A FINAL EC CIEC PACKAGE.

8. OTHER MEASURES: THE COMMISSION CONTINUED TO PRESS TO INCREASE EC FOOD AID AND TO ADOPT AN INDICATIVE AID TARGET FOR AGRICULTURAL DEVELOPMENT WHICH WOULD BE PART OF GLOBAL AID TARGETS. THERE WAS LITTLE SUPPORT FOR THESE PROPOSALS. THE DUTCH SUGGESTED THAT THE G-8 CONSIDER CONTINUING THE FOUR CIEC COMMISSIONS IN ONE FORM OR ANOTHER AFTER THE MINISTERIAL MEETING. THERE WAS ALSO LITTLE SUPPORT FOR THIS. THE GROUP CONTINUED TO FAVOR CONTINUING THE ENERGY DIALOGUE AS LONG AS THE G-8 DID NOT HAVE TO PAY AN UNREASONABLE PRICE TO DO SO. (MISSION WILL PROVIDE BY SEPTEL FURTHER COMMENTS ON EC CIEC ENERGY PREPARATIONS.)

9. FOLLOW-UP: THE UK PLANS TO CONTACT JAPANESE, US AND CANADIAN OFFICIALS IN THE NEXT SEVERAL DAYS TO OBTAIN THEIR VIEWS ON THE EC PRELIMINARY PROPOSALS. THESE REACTIONS WILL BE REPORTED TO LIMITED OFFICIAL USE

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THE APRIL 5 COUNCIL.

10. COMMENT: CASPARI OF THE COMMISSION BELIEVES THE CURRENT PROPOSED PACKAGE IS INSUFFICIENT AND WILL NOT OBTAIN A SATISFACTORY CONCLUSION TO THE DIALOGUE. HE SAYS A CREDIBLE PACKAGE SHOULD INCLUDE SEVERAL ADDITIONAL ELEMENTS SUCH AS INCREASING THE AMOUNT OF THE SPECIAL ACTION, LIFTING CURRENT RESERVATIONS ON THE

NAIROBI RESOLUTION INCLUDING THE PRICE ADAPTIVE FORMULA,
AND AN "OVERDRAFT" OR OWN RESOURCES FOR A CF, AND A GLOBAL STABEX.
THERE IS LITTLE SUPPORT FOR THESE IDEAS AT PRESENT, BUT OFFICIALS
HERE BELIEVE THE EC WILL BE PREPARED TO MAKE FURTHER CONCESSIONS
BEFORE CIEC IS CONCLUDED. END COMMENT. HINTON

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